

Message Text

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71

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 DRC-01 /140 W

----- 126610

R 221538Z MAY 74

FM AMEMBASSY BERN

TO SECSTATE WASHDC 9061

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 1971

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: CONFEDERATION BOND ISSUE FLOPS AND SWISS BAN CAPITAL
EXPORTS

1. FOLLOWING FAILURE OF CONFEDERATION'S SF 200 MILLION,
7 PERCENT, 7-YEAR BOND ISSUE TO ACHIEVE FULL SUBSCRIPTION,
SWISS NATIONAL BANK (SNB) ANNOUNCED MAY 21 IT WAS IMPOSING
TEMPORARY BAN ON FOREIGN SWISS FRANC BOND ISSUES AND
MEDIUM-TERM NOTES.

2. SEVEN-PERCENT BOND ISSUE HAS BEEN REDUCED TO SF 190
MILLION. SNB WILL PURCHASE PART OF ISSUE AND SUPPORT
REMAINDER AS NECESSARY. SNB CONSIDERING MEASURES TO OFF-
SET NEW LIQUIDITY CREATED BY BOND PURCHASE. SEPARATE
SF 250 MILLION, 7.5 PERCENT, 10-YEAR ISSUE WAS SLIGHTLY
OVERSUBSCRIBED AND AMOUNT RAISED TO SF 260 MILLION,
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THEREBY PROVIDING TOTAL OF SF 450 MILLION OR SAME AMOUNT

AS THAT SOUGHT ORIGINALLY THROUGH CAPITAL MARKET.

3. IN EFFORT COMBAT INFLATION, DOMESTIC LIQUIDITY HAS BEEN KEPT VERY TIGHT FOR PAST SEVERAL MONTHS AND INTEREST RATES HAVE RISEN TO EXTREMELY HIGH LEVELS BY SWISS STANDARDS. PRESSURES HAD BEEN BUILDING FOR SNB TO TAKE SOME ACTION TO RELIEVE TENSION ON MONEY AND CAPITAL MARKETS WHICH HAVE RECENTLY CAUSED PROBLEMS FOR BOTH FOREIGN AND DOMESTIC BOND ISSUES. FOREIGN LOAN ISSUES HAD BEEN LIMITED TO SF 10 MILLION PER MONTH SINCE FEBRUARY (BERN 0404) AND CEILING IS IN EFFECT FOR DOMESTIC ISSUES ALSO. ACCORDING TO PRESS REPORTS, SNB IS NOW CONSIDERING TEMPORARY BAN ON DOMESTIC BOND ISSUES.
PERCIVAL

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Disposition Event:
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